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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

10 MAY 1983

MEMORANDUM FOR: Mr. William M. George
Director, International Economic Policy
Office of the Assistant Secretary of Defense
International Security Policy

SUBJECT : NATO Country Economic Summaries 25X1

Attached are the NATO Country Economic Summaries requested by 11 May in your 14 April action memorandum. If you have any further questions or if we can be of further assistance, please call 25X1

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Director
European Analysis

Attachment:
as stated

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WEST GERMANY: GENERAL ECONOMIC DATA

Population (1982): 61.7 Million   GDP (Purchaser's Value)/Capita: $10,679

Total Output (Billion $US - 1982 Exchange Rate)	1979	1980	1981	1982
GDP (Purchaser's Value - Current Prices)	575.0	611.6	635.9	658.9
GDP (Constant Prices - % Change by Year)	4.0	1.8	-0.2	-1.1
Cost-of-Living Index (1975 = 100)	116.0	122.0	129.0	136.0

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West Germany is showing signs of breaking out of the economic slump that began in early 1980. Real GNP growth could reach 1 percent in 1983 after a 1.1-percent decline last year. Consumer spending will remain weak, but West German industrialists anticipate a noticeable improvement in business conditions this year. Domestic orders in the manufacturing, capital goods, and construction industries have picked up appreciably in the last six months. Foreign orders, which continued to taper off in early 1983, should improve in the second half of the year if the global recovery gains some momentum.

The most serious casualty of the long period of stagnation has been employment, with about 2.2 million people out of work -- at 9.2 percent of the labor force a 30-year high. Furthermore, unemployment will remain high through 1983 because of rapid labor force growth. 25X1

Inflation could fall to around 3 percent in 1983, compared to 5.2 percent last year, in part due to the low wage settlements achieved this spring. The current account surplus will continue to expand, reflecting cheaper imports due to lower oil prices and a strong deutsche mark. Although the invisibles deficit will worsen this year, its deterioration will be more than compensated by the increasing merchandise trade surplus. 25X1

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The new government, led by Helmut Kohl, wants to reduce the role of government and encourage private enterprise. In an effort to rein in outsized federal budget deficits, the government enacted last December a package of tax hikes and social welfare cuts coupled with incentives to industry and the housing sector. Following the 6 March election, the new government announced that further spending cuts would be made in order to limit the size of the budget deficit.

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982
Exports of Goods and Services	209.5	236.8	220.5	224.3
Imports of Goods and Services	204.1	239.8	215.7	209.6
Balance on Goods and Services	5.4	-3.0	4.8	14.7
Current Account Balance	-6.2	-16.3	-7.6	3.0
Long-Term Capital	7.4	-8.5	-4.1	-8.7
Total Reserves Minus Gold (yearend)	52.5	48.0	43.7	44.8

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BELGIUM-LUXEMBOURG: GENERAL ECONOMIC DATA

Belgium

Population (1982): 9.87 Million   GDP (Purchaser's Value)/Capita: $8,501

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981*	1982*
GDP (Purchaser's Value - Current Prices)	71.3	76.4	79.1	83.9
GDP (Constant Prices - % Change by Year)	1.9	2.4	-2.0	-1.0
Cost-of-Living Index (1975 = 100)	128	136	147	159

Luxembourg

Population (1982): .36 Million   GDP Purchaser's Value/Capita (1980): $9,167

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981*	1982*
GDP (Purchaser's Value - Current Prices)	2.7	2.9	3.0	3.3
GDP (Constant Prices - % Change by Year)	4.2	0.6	-2.0	0.8
Cost-of-Living Index (1975 = 100)	126	134	145	159

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[redacted] The need for fiscal austerity, and continued structural weaknesses in the economy, will keep real growth flat in Belgium again in 1983. Unemployment, inflation, and government deficits worsened in each of the last two years. Income and employment policies introduced in fall 1982 mandated a cut of 3 percent in real wages, a 5-percent reduction in working hours, and a 3-percent increase in employment through job sharing; but these will not fully bring results before 1984. Inflation will slow to 7 percent this year after reaching 8 percent in 1982. Unemployment, however, will continue to climb, to around 12 percent. 25X1

[redacted] While Brussels has tried to avoid a second explicit devaluation of its currency in the wake of the EMS shakeup, the realignment will result in an effective depreciation nonetheless. The government has been forced to raise the discount rate by 2.5 percent and introduce restrictive exchange market procedures in an effort to forestall further pressures for devaluation. It has also introduced new fiscal restrictions to reduce a budget deficit that exceeded its target by over 20 percent in 1982.

[redacted] Continued structural problems in the traditional steel and textile industries and regional differences between the Walloons and Flemings continue to cause difficulties. However, the recovered strength of the Martens coalition -- which has been able to push through unpopular but badly needed reforms -- may provide the basis for a gradual upturn later in the year. 25X1

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982*
Exports of Goods and Services	74.0	89.0	87.9	89.2
Imports of Goods and Services	76.2	92.7	90.7	91.4
Balance of Goods and Services	-2.2	-3.7	-2.8	-2.2
Current Account Balance	-3.1	-4.9	-4.0	-3.5
Long-Term Capital	-0.5	-4.0	3.8	2.8
Total Reserves Minus Gold (yearend)	5.4	-7.8	5.0	3.9

* Estimated

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NETHERLANDS: GENERAL ECONOMIC DATA

Population (1982):14.07 Million GDP (Purchaser's Value)/Capita (1982): $10,350

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982
GDP (Purchaser's Value - Current Prices)	118.3	125.8	131.3	138.2
GDP (Constant Prices - % Change by Year)	2.3	0.9	-1.1	-0.7
Cost-of-Living Index (1975=100)	126	134	143	151

[redacted] Real Dutch GNP will fall by nearly 1 percent in 1983, the third consecutive year of decline and probably the poorest performance in the European Economic Community. Efforts to trim a growing structural public sector deficit, a loss of export market shares, and declines in disposable income that will cut consumer expenditures are largely to blame. Improvements on inflation (down to only 3 percent) and interest rates (expected to fall to nearly 4 percent by yearend) will move the economy toward recovery late in the year. Together with higher profits and improved business optimism, these factors should encourage investment and herald the first upturn in industrial production in over five years. Unemployment, however, will remain at nearly 14 percent of the workforce. 25X1

[redacted] Serious budget problems that preclude any stimulative action continue to plague Dutch governments. Current government plans call for a shift in emphasis from high labor earnings to better capital returns and improvements in productive capacity, even at the cost of substantial reductions in social spending. This painful adjustment process of restructuring the economy could easily result in social unrest and a change in government. Although reduced interest rates will help the government to finance the budget shortfall, it must come to grips with reducing a deficit which reached $11.5 billion in 1982. 25X1

[redacted] The trade balance should improve again in 1983 on the strength of reduced imports and increased exports. Slower inflation and continued restraint on wages should offset the impact of an appreciating guilder. Declining real disposable income will cut Dutch expenditures for tourism and other services, helping to improve the current account balance.

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982
Exports of Goods and Services	80.9	95.8	91.3	88.8
Imports of Goods and Services	82.2	97.4	86.6	83.5
Balance of Goods and Services	-1.2	-1.6	4.7	5.4
Current Account Balance	-2.1	-2.8	3.2	4.1
Long-Term Capital	-1.8	-0.1	-2.1	-3.9
Total Reserves Minus Gold (yearend)	7.6	11.6	9.3	10.1

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ITALY: GENERAL ECONOMIC DATA

Population (1982): 57.35 Million   GDP (Purchaser's Value)/Capita: $6054

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982
GDP (Purchaser's Value - Current Prices)	199.7	250.6	296.6	347.2
GDP (Constant Prices - % Change by Year)	4.9	3.9	0.1	-0.3
Cost-of-Living Index (1975 = 100)	176	213	251	293

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The Italian economy experienced a disappointing performance in 1982. Reflecting in large part a fall in private investment, real GDP dropped by 0.3 percent, only the second decline since World War II. Hopes for a $5 billion improvement in the current account balance were dashed as increased outlays for debt servicing offset a narrowing of the trade deficit. Monetary restraint and the recession were mainly responsible for the inflation rate slowing to 16.7 percent, compared to 17.8 percent in 1981.

The 1982 inflation result would have been lower but for the effect of major tax increases in July. The tax hikes were part of the government's austerity program intended to stem a rising budget deficit which last year jumped 33 percent to $52 billion, 15 percent of GDP. Estimates are that the deficit, which could be a major issue in upcoming national elections, could rise to about $60 billion this year. 25X1

Private and official forecasts call for economic activity to either stagnate or decline slightly as high interest rates and low profit levels continue to choke off investment expenditures. The new labor cost agreement, falling crude oil prices, and domestic recession should lower inflation. An expanding budget deficit, however, will keep Rome from reaching its 13-percent inflation target. Economic recovery in foreign markets should strengthen exports while a decline in crude oil prices and sluggish domestic demand will slow import growth. As a result, the current account deficit could narrow by as much as one-half. 25X1

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982
Exports of Goods and Services	95.1	105.0	100.4	115.5*
Imports of Goods and Services	90.1	116.0	109.8	122.1*
Balance of Goods and Services	5.0	11.0	-9.4	-7.4*
Current Account Balance	-5.4	-9.8	-8.7	-5.5*
Long-Term Capital	-0.3	3.6	8.7	6.6*
Total Reserves Minus Gold (yearend)	18.2	23.1	20.1	13.7

* Estimated

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TURKEY: GENERAL ECONOMIC DATA

Population (1982): 47.4 Million

GDP (Purchaser's Value)/Capita: $1,140

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982
GDP (Purchaser's Value - Current Prices)	13.3	26.6	39.4	53.9
GDP (Constant Prices - % Change by Year)	-0.6	-1.0	4.2	4.4
Cost-of-Living Index (1975 = 100)	392	761	1047	1390

Turkey continues to recover from the chaos of three years ago when triple-digit inflation and severe shortages brought the economy almost to a standstill. Turgut Ozal, author of the January 1980 stabilization program has resigned, but the government appears to be committed to most of his policies -- austerity, greater reliance on market forces, and a push to increase exports. 25X1

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The current account gap is continuing to shrink, aided by booming exports -- up 30 percent last year after a 65-percent rise in 1981 -- and a leveling-off of imports. Inflation, meanwhile, has slowed to under 30 percent. An export-led revival in manufacturing and a good harvest last year permitted a 4.4-percent rise in real GDP. Tight money and weak domestic demand, however, have caused severe strains for the banking system and domestic industries. The collapse of Turkey's largest money broker last June rocked the financial sector and forced the government to step in to aid certain banks and firms.

If Ankara sticks with its stabilization measures, inflation and the balance of payments should continue to improve. Turkey apparently will require little or no new program aid this year, although project aid is still needed for intrastructure development. Difficult problems, however, still face the government: comparatively little progress has been made to date in streamlining the inefficient and overstaffed State Economic Enterprises, and rapid labor force growth will keep unemployment painfully high. Political pressure for easier credit, government aid, and protectionism will increase as the military gradually restores democracy. 25X1

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982
Exports of Goods and Services	3.0	3.7	5.3	8.1
Imports of Goods and Services**	6.2	8.8	10.0	11.8
Balance on Goods and Services**	-3.2	-5.1	-4.7	-3.7
Current Account Balance**	-1.4	-3.1	-2.2	-1.4
Long-Term Capital	-2.0	-0.3	-0.6	-0.5
Total Reserves Minus Gold (yearend)	0.8	1.3	1.3	0.9

** After debt relief

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GREECE: GENERAL ECONOMIC DATA

Population (1982): 9.8 Million   GDP (Purchaser's Value)/Capita: $3,710

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982
GDP (Purchaser's Value - Current Prices)	21.4	25.6	30.4	36.4
GDP (Constant Prices - % Change by Year)	3.7	1.6	-0.7	-0.5
Cost-of-Living Index (1975 = 100)	170	213	265	320

[redacted] The troubled economy the Socialists inherited in late 1981 is still stagnant. 25X1 Although Prime Minister Papandreou has moderated his radical campaign promises for nationalizations and renegotiation of EC membership, he has increased government spending and regulation and has granted generous wage increases. Inflation dipped only briefly in late 1981 before shooting back up to an annual rate of 21 percent last year -- despite price controls on key products and the ongoing recession. Price controls, the uncertain business climate, higher taxes, and increasing labor costs have resulted in falling investment and output. GDP declined slightly in both 1981 and 1982, and only sluggish growth is likely this year. As a result, unemployment has risen to 8 percent and may go higher.

[redacted] The Greek balance of payments is suffering from declines in several key areas: 25X1 exports, tourism, shipping, remittances, and -- since the Socialist victory -- private capital inflows. Athens initially resorted to stop-gap measures, such as draw-downs of oil stocks and foreign exchange reserves, and temporary controls on selected import items. The government has also become increasingly reliant on EC aid and foreign borrowing. In January 1983 Athens finally took more basic remedial action, announcing a substantial devaluation of the drachma.

[redacted] The outlook is not particularly bright. Even though the government was able to 25X1 achieve a modest drop in the public sector deficit in 1982 and adopted a restrictive incomes policy in January, the public deficit will remain near its current share of GDP, keeping inflation high. Although the Socialists have delayed presentation of a 5-year development plan, their likely emphasis on the public sector could further erode Greek competitiveness and impede future economic growth.

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982
Exports of Goods and Services	7.7	8.4	9.2	8.9
Imports of Goods and Services	10.7	11.7	12.8	12.3
Balance of Goods and Services	-3.0	-3.3	-3.6	-3.4
Current Account Balance	-1.9	-2.2	-2.4	-2.2
Long-Term Capital	1.3	2.0	1.6	1.5
Total Reserves Minus Gold (yearend)	1.3	1.3	1.0	1.0

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PORTUGAL: GENERAL ECONOMIC DATA

Population (1982): 10.6 Million   GDP (Purchaser's Value)/Capita: $2,406

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982*
GDP (Purchaser's Value - Current Prices)	12.5	15.2	18.2	25.5
GDP (Constant Prices - % Change by Year)	4.5	5.5	1.7	3.0
Cost-of-Living Index (1975 = 100)	234	273	327	400

Lisbon's current account deficit widened to $3.3 billion last year, reflecting sharp drops in worker remittances and tourism and rising debt service payments. The 2-percent devaluation of the escudo and the acceleration of the monthly rate of depreciation in March should help to maintain export competitiveness and narrow the trade deficit this year. Nevertheless, the continued weakness of invisibles is likely to prevent much improvement in the current account deficit. 25X1

The severity of Portugal's international financial shortfall prompted the introduction of austerity measures by the caretaker Balsemao government. Prices, taxes, import duties, and interest rates were raised sharply in an effort to curb consumption. The Socialists -- who won a plurality in the April parliamentary election -- have warned that futher belt-tightening is necessary, and they are seeking the cooperation of labor and business in resolving Portugal's economic difficulties. 25X1

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Lacking the authority to sign an agreement, the caretaker government did not present a formal request for assistance to the IMF. The Socialists, however, are resigned to the fact that they will have to resume negotiations for a $1.5 billion standby loan before the end of this year.

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982*
Exports of Goods and Services	5.3	6.8	6.4	6.0
Imports of Goods and Services	7.9	10.9	11.9	12.0
Balance of Goods and Services	-2.5	-4.1	-5.5	-6.0
Current Account Balance	-0.1	-1.1	-2.6	-3.3
Long-Term Balance	0.7	0.7	1.3	2.2
Total Reserves Minus Gold (yearend)	0.9	0.8	0.5	0.4

* Estimated

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DENMARK: GENERAL ECONOMIC DATA

Population (1982): 5.12 Million GDP (Purchaser's Value)/Capita: $10,976

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982*
GDP (Purchaser's Value - Current Prices)	41.1	45.0	49.2	56.2
GDP (Constant Prices - $ Change by Year)	3.0	0.6	-0.2	2.5
Cost-of-Living Index (1975 = 100)	146	164	183	202

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[redacted] Denmark has been plagued with rising joblessness and seemingly intractable budget and current account deficits. Real GNP is expected to grow only 1.5 percent this year.

[redacted] The new center-right government succeeded last fall in adopting a tough anti-inflationary economic policy designed to improve Denmark's international competitiveness without resorting to devaluing the currency. Major features were the suspension of wage indexation and measures to cut government spending. These policies have achieved some success; despite recent devaluations by the other Nordic countries and an EMS realignment, Denmark has not followed suit. 25X1

[redacted] Inflation is falling and in March consumer prices were up about 8 percent over a year ago. By year's end, prices are expected to be up by only 4 percent, improving competitiveness and simplifying government efforts to keep wage increases to its 4-percent guidelines. Interest rates have declined; long-term rates, which were at 22 percent in September, are now about 13 percent. 25X1

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[redacted] Unemployment exceeds 10 percent and is expected to remain at that level throughout 1983. A decrease is not expected until 1984, when growth in Denmark's trading partners is expected to boost exports.

Trade and Payments (Billion $US, BOP)	1979	1980	1981	1982*
Exports of Goods and Services	21.2	24.2	23.2	26.1
Imports of Goods and Services	24.5	26.6	24.9	28.1
Balance of Goods and Services	-3.3	-2.4	-1.7	-2.1
Current Account Balance	-2.9	-2.5	-1.9	-2.4
Long-Term Capital	2.1	2.5	1.3	NA
Total Reserves Minus Gold (yearend)	3.2	3.4	2.5	2.3

* Estimated

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NORWAY: GENERAL ECONOMIC DATA

Population (1982): 4.12 Million   GDP (Purchaser's Value)/Capita: $13,667

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982*
GDP (Purchaser's Value - Current Prices)	37.0	43.9	50.8	56.3
GDP (Constant Prices - % Change by Year)	4.5	3.6	0.7	0
Cost-of-Living Index (1975 = 100)	135	150	170	189

[redacted] The stagnant Norwegian economy is expected to grow less than 1 percent this year. The key petroleum sector, which accounts for about one-third of exports and 15 percent of GNP, declined in 1982 and little growth is expected this year because of continuing weak demand. The competitiveness of non-oil industries has been weakened by slow productivity growth and by rapid petroleum development, which has contributed to rises in prices and labor costs coupled with a relatively strong currency. 25X1

[redacted] Industrial competitiveness is expected to decline further this year. Although wage increases will be lower than last year, labor costs will still rise by more than 8 percent. The unemployment rate has risen to 4 percent, double the rate a year ago. Devaluations of the Norwegian krone in mid-1982, totaling 6 percent, were offset in part by devaluations in Finland and Sweden. 25X1

[redacted] The Conservative government has promised a restrictive fiscal policy to reduce spending and neutralize the inflationary impact of petroleum earnings; however, rising unemployment has led to increased subsidies and plans for a job creation program. The independent central bank continues to restrain monetary growth, which is expected to help hold the inflation rate to 10 percent in 1983. 25X1

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982*
Exports of Goods and Services	21.4	28.3	28.7	30.0
Imports of Goods and Services	22.0	27.6	25.8	28.6
Balance of Goods and Services	-0.6	0.7	2.9	1.4
Current Account Balance	1.0	1.1	2.4	0.8
Long-Term Capital	2.3	-0.9	-0.8	NA
Total Reserves Minus Gold (yearend)	4.2	6.01	6.3	6.9

*Estimated

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SPAIN: GENERAL ECONOMIC DATA

Population (1982): 38.0 Million GDP (Purchaser's Value)/Capita: $4,734

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982*
GDP (Purchaser's Value - Current Prices)	119.8	137.3	155.7	179.9
GDP (Constant Prices - % Change by Year)	0.6	1.5	-0.2	1.1
Cost-of-Living Index (1975 = 100)	198	230	263	301

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The Spanish economy has not yet emerged from a prolonged slump. Real GDP grew at only 1.1 percent last year, but the increase over 1981 derived almost entirely from the growth of public consumption and exports. Unemployment increased by nearly 3 percentage points to 16.5 percent at the end of the year and is continuing to rise. Consumer price inflation, currently about 14 percent, is still high in comparison with the rates in the rest of Western Europe, but it is beginning to abate as a result of the government's tightening of monetary policy.

The current account deficit narrowed by approximately $1 billion last year, reflecting a drop in the oil import bill. However, a shift in corporate borrowing from the Eurodollar market to the domestic market and an increase in export financing sharply reduced net private capital inflows. As a result, Madrid financed the current account deficit with $3.5 billion in reserves, compared with about $800 million in 1981. 25X1

Although the Socialists promised in the election campaign last fall to boost economic growth to 2.5 percent this year and to create 800,000 new jobs over the next four years, they are pursuing a policy of monetary and fiscal restraint. The administration hopes to lower the inflation rate to 12 percent this year by limiting the growth of the money supply to 13 percent and holding the budget deficit at 6 percent of GDP. Consequently, the unemployment rate may approach 20 percent by the end of the year. 25X1

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982*
Exports of Goods and Services	30.0	33.9	33.8	35.8
Imports of Goods and Services	30.6	41.1	40.6	41.5
Balance of Goods and Services	-0.6	-7.2	-6.8	-5.7
Current Account Balance	1.2	-5.2	-5.0	-4.1
Long-Term Balance	3.1	4.2	4.2	1.3
Total Reserves Minus Gold (yearend)	13.2	11.9	10.8	7.7

* Estimated

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CANADA: GENERAL ECONOMIC DATA

Population (1982) 24.6 Million GDP (Purchaser's Value)/Capita: $11,934

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982
GDP (Purchaser's Value - Current Prices)	217.8	242.9	277.6	293.6
GDP (Constant Prices - % Change by Year)	2.9	0.5	3.1	-4.8
Cost-of-Living Index (1975 = 100)	138	152	171	190

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The Canadian economy is beginning to emerge from a severe recession in which real gross national product declined 7.5 percent over the past year and a half. Recovery will be slow, however, with real growth averaging only 1.7 percent in 1983. Bolstered by increased demand in the US market and lower interest rates, the housing sector has been the first to show signs of improvement. Consumer demand also has picked up, although probably moderated by unemployment continuing well above 12 percent. Many firms, concerned that even this small upturn will not last, are reluctant to boost production. The lengthy recession severely reduced corporate profits, and balance sheets need to be repaired before new investment can be undertaken.

Ottawa introduced a $3.9 billion Special Recovery Program in April's budget to stimulate economic activity. The pro-business budget emphasizes the role of the private sector in the recovery by combining moderate spending on public works projects with strong tax incentives to encourage private investment. A rapidly growing federal deficit and continued concern with bringing down the inflation rate have kept Ottawa from introducing more stimulative measures. Falling revenues and huge new outlays for unemployment insurance pushed the federal deficit to $20.4 billion in FY 82/83, with a further jump to $25.3 billion projected for the coming fiscal year. The CPI should drop from 10.8 percent in 1982 to less than 8 percent this year. 25X1

The merchandise trade surplus doubled to $14.3 billion in 1982, resulting in Canada's first surplus on the current account in nine years. Much of the improvement was due to a 15-percent drop in import volume because of weak domestic demand. Canada's slow recovery should keep import demand in check again this year, although the trade surplus is expected to drop to $1.5 billion and return to deficit in 1984. 25X1

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982
Exports of Goods and Services	65.9	77.8	83.0	81.4
Imports of Goods and Services	70.7	79.8	88.7	80.4
Balance of Goods and Services	-4.8	-2.0	-5.7	1.0
Current Account Balance	-4.2	-0.9	-4.5	2.2
Long-Term Capital	1.9	1.1	0.5	6.9
Total Reserves Minus Gold (yearend)	2.9	3.1	3.5	3.0

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ICELAND: GENERAL ECONOMIC DATA

Population (1982): 227,000 GDP (Purchaser's Value)/Capita: 10,573

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982*
GDP (Purchaser's Value - Current Prices)	0.7	1.1	1.7	2.4
GDP (Constant Prices - % Change by Year)	2.9	2.8	1.3	-3.6
Cost-of-Living Index (1975 = 100)	361	573	863	1287

[redacted] Real GNP is expected to drop by as much as 6 percent in 1983, and the current account deficit is expected to worsen because of the poor outlook for the fishing industry, continued weak foreign demand for metals, and high interest payments. The unemployment rate jumped from 0.4 percent to 1.3 percent in the final months of 1982. Consumer prices rose nearly 50 percent during 1982, and climbed at an annual rate of nearly 100 percent in April. 25X1 25X1

[redacted] The economy is hobbled by its dependence on the fishing industry, which provides 75 percent of exports. Overfishing has sharply reduced fish populations, and, in addition, government conservation measures have cut the fish catch by 20 percent from the 1982 level. The aluminium and ferrosilicon industries, which account for half of non-fishing export earnings, suffer from slack demand and low prices, although a modest pickup is expected in 1983. 25X1

[redacted] High price and wage increases are the results of creeping currency devaluation and legally mandated quarterly wage adjustments. Frequent devaluations of the krona have protected the competitiveness of the fishing industry, but the currency has depreciated by 50 percent vis-a-vis the dollar in the last year.

[redacted] Parliamentary elections in April brought to power a conservative-led coalition, but differing economic strategies among the parties and a possible second round of elections to implement electoral reforms are likely to delay the development of an active government policy to tackle the country's economic problems. 25X1

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982*
Exports of Goods and Services	1.09	1.21	1.22	1.11
Imports of Goods and Services	1.10	1.29	1.37	1.38
Balance of Goods and Services	-0.02	-0.08	-0.15	-0.24
Current Account Balance	-0.02	-0.08	-0.15	-0.24
Long-Term Capital	0.09	0.15	0.19	NA
Total Reserves minus Gold (yearend)	0.16	0.17	0.23	.15

* Estimated

[redacted] 25X1

25X1

FRANCE: GENERAL ECONOMIC DATA

Population (1982): 54.257 Million   GDP (Purchaser's Value)/Capita: $9,910

Total Output (Billion $US - 1982 Exch Rate)	1979	1980	1981	1982*
GDP (Purchaser's Value - Current Prices)	371.2	419.7	470.8	537.7
GDP (Constant Prices - % Change by Year)	3.3	1.1	0.2	1.6
Cost-of-Living Index (1975 = 100)	145	164	186	208

25X1

France's near-term political and economic outlook is bleak. The tougher austerity measures that accompany the devaluation of the franc in March -- the third under the Socialists -- have contributed to the current wave of demonstrations and scattered violence. Communist support for belt-tightening is grudging and presages a period of heightened tension within the governing coalition. The Socialist Party itself is experiencing a reemergence of factionalism, triggered by the austerity program, leftist setbacks in nationwide municipal elections in March, and the approach of a party congress in October. Public opinion polls show Mitterrand's popularity at an ebb, but he is confident that he has time to restore the economy before the next significant national test -- the legislative elections scheduled for 1986. 25X1

The new economic package aspires to eliminate France's trade deficit by the end of 1984 and to reduce inflation. It includes government spending reductions, increased taxes and public utilities charges, limitations on tourist expenditures abroad, and an obligatory loan to the state by most taxpayers. In addition, government guidelines limit 1983 wage increases to an unachievable 8 percent. Even assuming some slippage in wage settlements, real wage reductions are likely to be the rule rather than the exception, with 1983 inflation in the 9.5-10 percent range. The measures now in effect add up to a strong brake on both domestic consumption and import demand.

The balance-of-payments deficit can certainly be reduced. Given the strength of the dollar, however, it is doubtful that the government's goal of lowering the shortfall to $6 billion this year can be met. The cost of progress will be substantial. Real growth will stagnate at best, and Mitterrand's hope for an investment revival will again be frustrated. Unemployment, which leveled off at the end of 1982, will again start climbing, with the politically sensitive rate approaching 10 percent during the year. 25X1

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982*
Exports of Goods and Services	135.9	161.0	159.1	158.3
Imports of Goods and Services	130.7	164.7	162.1	172.5
Balance of Goods and Services	5.2	-3.7	-3.0	-14.2
Current Account Balance	1.2	-7.9	-7.2	-12.9
Long-Term Capital	-5.0	-8.4	-8.0	-1.5**
Total Reserves Minus Gold (yearend)	17.6	27.3	22.3	16.5

* Preliminary
** Six Months

25X1

[redacted] 25X1

UNITED KINGDOM: GENERAL ECONOMIC DATA

Population (1982) 55.80 Million — GDP (Purchaser's Value)/Capita: $8,467

Total Output (Billion $US 1982 Exch Rate)	1979	1980	1981	1982*
GDP (Purchaser's Value - Current Prices)	338.5	395.8	434.9	472.7
GDP (Constant Prices - % Change by Year)	1.4	-1.9	2.0	1.0
Cost-of-Living Index (1975 = 100)	166	196	219	238

25X1

[redacted] The United Kingdom will experience real growth of 2 percent in 1983 -- twice last year's rate and far better than the 2-percent decline in 1981. Sluggish foreign demand for British goods and restraints on government spending will partially offset improved growth in other areas. Most of the impetus for the upturn will come from the rebuilding of inventories that have been drawn down for two years. Reductions in interest rates and a return of modest business optimism will help promote investment in consumer durables and a resurgence in residential construction. Unemployment, however, will remain high -- nearly 13 percent of the workforce -- and will be of increasing importance to the Thatcher government as the 9 June election draws near. The government probably will take some action designed to show its concern, but substantial changes in the already massive social welfare program are unlikely.

[redacted] Aided by shifts in expenditures and a postponement of tax collections from the previous year, the government should meet its target for the budget deficit again in FY 1983/84. Last year, London was able to hold expenditures to planned levels in spite of the extraordinary costs of the Falklands campaign. Deficits incurred by nationalized industries and increases in unemployment and other compensation payments, however, continue to act as a drain on the economy. Revenues should pick up this year as companies return to profitability and real wages increase. Interest rates will continue to moderate as inflation moves down to around 4 percent. 25X1

25X1

[redacted] The trade and current account balances will weaken in 1983 as merchandise imports pick up in line with real growth, and soft oil markets reduce oil and gas earnings. Despite substantial gains in productivity, reduced wage pressures, and the recent decline of the pound that have helped to improve cost competitiveness, Britain has been unable to regain the share of world markets in manufactured goods that it lost over the past several years. The government is reluctant to expand protectionism, but it may be increasingly forced in that direction by continued penetration by foreign producers in the domestic market and the pressures resulting from high unemployment.

Trade and Payments (Billion $US, BOP Basis)	1979	1980	1981	1982*
Exports of Goods and Services	134.0	166.8	156.9	145.9
Imports of Goods and Services	130.8	155.0	140.1	136.2
Balance of Goods and Services	3.2	11.8	16.5	9.7
Current Account Balance	-1.7	6.9	12.9	6.9
Long-Term Capital	-6.0	-11.3	-19.5	-14.8
Total Reserves Minus Gold (yearend)	19.7	20.7	15.2	12.4

* Estimated

[redacted] 25X1

Distribution:

Orig - Addressee
1 - DDI
1 - ADDI
1 - OD/EURA
2 - EURA Production
4 - IMC/CB
1 - each branch
1 - Div file

DDI/EURA/WE [redacted] 12May83) 25X1